

THE BALDWIN COMPANY

Cincinnati, Ohio

ANNUAL REPORT TO SHAREHOLDERS SEVENTY-NINTH YEAR

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APR 6 1942
BUSINESS INFORMATION BUREAU
CORPORATION FILE

To the Shareholders of The Baldwin Company:

Sales for the year 1941 amounted to \$7,200,701.01, an increase of 21.2% over 1940. The net profit for the year 1941, after deduction of depreciation charges amounting to \$36,100.94, and provision for Federal Income Taxes amounting to \$454,000.00, was \$322,474.44, compared with \$396,911.30 for the year 1940. The net earnings were less in 1941 than the year previous, due to the large increase over the year before in provision for Federal Taxes and to necessary increases in special reserves.

Consolidated Balance Sheets as of December 31, 1941 and 1940 and Analysis of Surplus Accounts for the year 1941 are appended hereto.

On December 31, 1941, Total Current Assets amounted to \$5,415,076.99 and Current Liabilities to \$1,024,619.19, which is a ratio of 5.3 to 1. Principal changes during the past year in Current Accounts are as follows: Cash increased \$274,070.17, Net Notes and Accounts Receivable, after provision for possible loss, decreased \$171,080.91, and Net Inventories increased \$291,386.68. On December 31, 1941 there were no Bank Loans outstanding compared with \$265,000.00 owed to banks the year before. Accounts Payable increased \$76,905.82. Accrued Expenses increased \$6,612.79. The liability for Federal Excise Taxes which did not exist a year ago, amounted on December 31, 1941 to \$59,950.92, and Federal Income Tax Accrued on December 31, 1941 had increased \$244,300.00 over the previous year. During 1941, there was taken from the Profit on Operations \$295,877.23, which has been credited to Contingency Reserve. This additional reserve has been set aside to take care of any unforeseen occurrences which may result from the effect of the war on our business.

During 1941 regular dividends were paid on the 6% Cumulative Preferred Stocks and dividends aggregating \$1.00 per share were paid on the Common Stock. The net increase in Earned Surplus, after all charges, amounted to \$90,627.82.

This year, 1942, our manufacture of pianos will be severely curtailed, due to the increasing scarcity of all metals and the national need for the production of war materials. On February 17, 1942, the War Production Board ordered that the manufacture of pianos for the months of March, April and May, 1942 be restricted to 50% of the rate of manufacture in 1940, with no statement as to what production schedules would be permitted thereafter.

For several months we have been in very close contact with the various Government purchasing agencies. Since the first of January, 1942 we have located certain products needed by the government, which we should be able to produce. At the present time we are bending every effort to secure contracts for their manufacture. Our organization can and will serve our country during war time with the same efficiency and loyalty it has shown for so many years in the manufacture and distribution of pianos.

Respectfully submitted,

LUCIEN WULSIN, President

THE BALDWIN COMPANY AND SUBS
CONDENSED CONSOLIDATED
AS OF DECEMBER 31, 1940

ASSETS	December 31, 1941		December 31, 1940	
Cash in Bank and on Hand.....		\$ 493,481.80		\$ 219,411.63
Notes and Accounts Receivable—	\$3,906,487.39		\$4,023,442.11	
Less: Dealers' Contingent Equities..	732,698.36		728,150.90	
	<u>\$3,173,789.03</u>		<u>\$3,295,291.21</u>	
Less: Reserve for Possible Losses....	717,255.30	2,456,533.73	667,676.57	2,627,614.64
	<u>\$2,715,622.31</u>		<u>\$2,424,235.63</u>	
Inventories				
Less: Reserve for Inventory				
Fluctuations	250,560.85	2,465,061.46	250,560.85	2,173,674.78
Total Current Assets.....		\$5,415,076.99		\$5,020,701.05
Plant and Equipment:				
Real Estate and Buildings.....	\$1,224,939.02		\$1,224,284.84	
Machinery and Equipment.....	1,117,982.57		1,080,965.05	
	<u>\$2,342,921.59</u>		<u>\$2,305,249.89</u>	
Less: Reserve for Depreciation.....	1,470,663.42	872,258.17	1,450,308.27	854,941.62
	<u>\$872,258.17</u>		<u>\$854,941.62</u>	
Other Assets		38,310.00		30,745.00
Deferred Charges to Future				
Operations		12,084.80		6,306.05
Total Assets		<u>\$6,337,729.96</u>		<u>\$5,912,693.72</u>

ANALYSIS OF CONSOLIDATED SURPLUS ACCO

Balances, January 1, 1941.....	
Add:	
Net Profit for year ended December 31, 1941.....	\$ 322,474.44
Adjustment of Prior Year's Provision for Federal	
Income Tax, etc.....	4,485.38
Deduct:	
Dividends on Preferred Stock.....	\$ 102,552.00
Dividends on Common Stock.....	133,780.00
Premium on Preferred Stock Purchased.....	24.70

Balances, December 31, 1941.....

AUDITORS'

To the Stockholders of The Baldwin Company:

We have examined the consolidated balance sheet of THE BALDWIN COMPANY and its subsidiary as of December 31, 1941, and the consolidated statements of income and surplus for the year then ended; have reviewed the accounting procedures and the system of internal control of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

DIARY (The Baldwin Piano Company)

ATED BALANCE SHEETS

D AND DECEMBER 31, 1941

LIABILITIES AND CAPITAL	December 31, 1941	December 31, 1940
Notes Payable — Bank.....	—0—	\$ 265,000.00
Accounts Payable.....	\$ 368,838.36	291,932.54
Accrued Expenses.....	91,829.91	85,217.12
Federal Excise Tax.....	59,950.92	—0—
Federal Income Taxes.....	504,000.00	259,700.00
Total Current Liabilities.....	\$1,024,619.19	\$ 901,849.66
Purchase Money Mortgage.....	—0—	40,000.00
Deferred Credits.....	147,461.10	190,574.69
Reserve for Contingencies.....	412,646.71	116,769.48
Capital Stock and Surplus:		
Capital Stock:		
Preferred—		
6% Issue of 1901-1903		
Issued and outstanding 2,327		
Shares.....	\$ 232,700.00	\$ 232,700.00
Less: In Treasury.....	66,300.00	65,200.00
	166,400.00	167,500.00
6% Issue of 1924, Series A,		
Issued and Outstanding, 20,000		
Shares.....	\$2,000,000.00	\$2,000,000.00
Less: In Treasury.....	457,800.00	457,800.00
	1,542,200.00	1,542,200.00
Common—		
Issued and Outstanding,		
133,786.6 Shares.....	1,070,292.80	1,070,292.80
Surplus:		
Capital.....	\$ 284,386.37	\$ 284,411.12
Earned.....	1,689,723.79	1,599,095.97
	1,974,110.16	1,883,507.09
Total Liabilities and Capital.....	\$6,337,729.96	\$5,912,693.72

UNTS FOR YEAR ENDED DECEMBER 31, 1941

Total	Capital Surplus	Earned Surplus
\$1,883,507.09	\$ 284,411.12	\$1,599,095.97
		\$ 322,474.44
		4,485.38
326,959.82		326,959.82
\$2,210,466.91	\$ 284,411.12	\$1,926,055.79
		\$ 102,552.00
		133,780.00
	24.75	
236,356.75		236,332.00
\$1,974,110.16	\$ 284,386.37	\$1,689,723.79

CERTIFICATE

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated surplus present fairly the position of THE BALDWIN COMPANY and its subsidiary at December 31, 1941 and the result of their consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CINCINNATI, OHIO,
March 31, 1942

MURPHY, LANIER & QUINN,
Public Accountants

OFFICERS:

Lucien Wulsin.....President and Treasurer
J. P. Thornton.....Vice-President
Philip Wyman.....Vice-President
A. J. Schoenberger.....Secretary
W. H. Smith.....Asst. Treasurer
C. W. Fessler.....Asst. Secretary

DIRECTORS:

Lucien Wulsin
Cincinnati
J. P. Thornton
Cincinnati
Wm. J. Rielly
Cincinnati
Philip Wyman
Cincinnati
Geo. W. Lawrence
Cincinnati

GENERAL OFFICES:

Gilbert Avenue, Cincinnati
Cable Address: "Baldwinco, Cincinnati"

PRINCIPAL SELLING OFFICES:

Cincinnati	Chicago	New York
St. Louis	Denver	Louisville
Pittsburgh	Kansas City	San Francisco

EXPORT OFFICES:

New York	Cincinnati	San Francisco
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SUBSIDIARY COMPANY
The Baldwin Piano Company